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DIMENSIONS OF MANAGING FARM DEBT

EDUCATIONAL MATERIALS

Prepared by

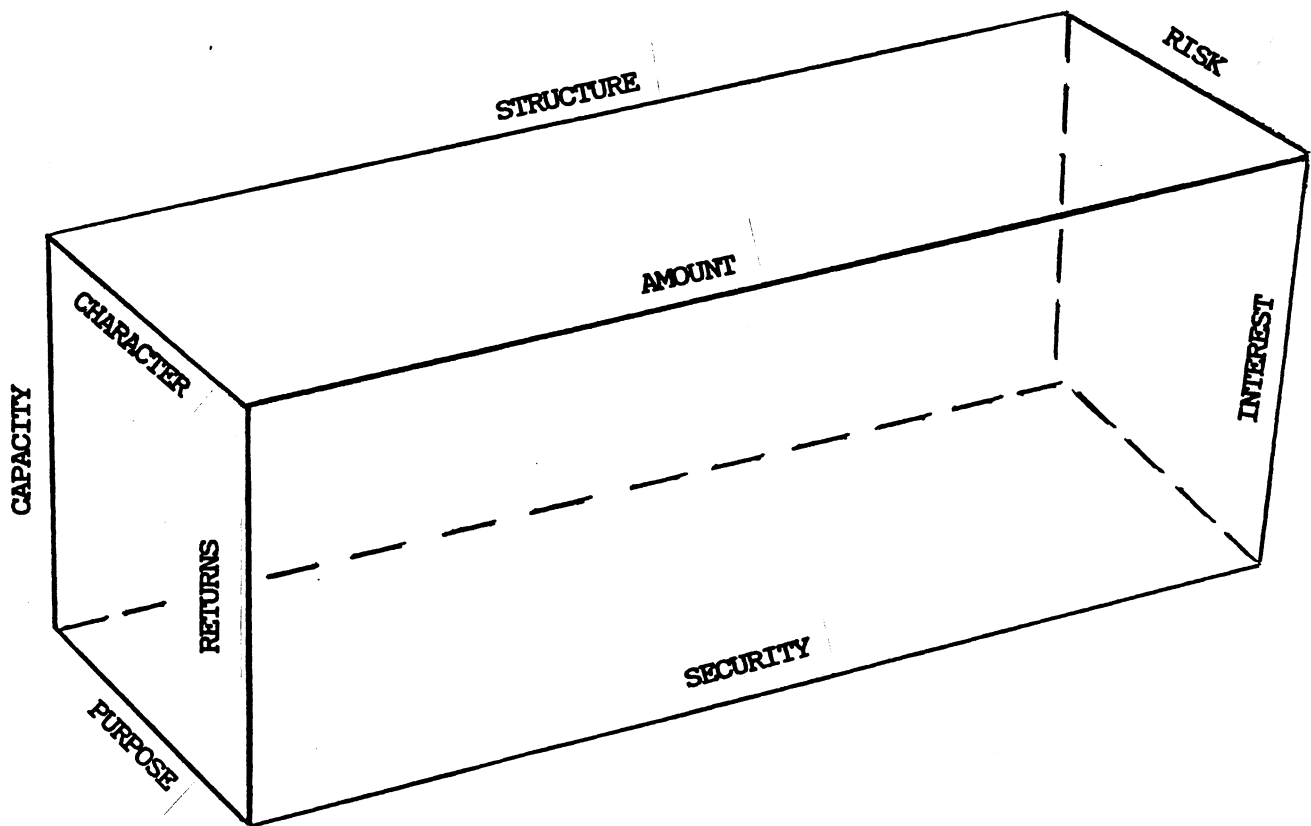
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Technical Update for Vo-Ag Teachers

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DIMENSIONS OF MANAGING FARM DEBT



WHY?

I. NEED VS. WANTS

II. PURPOSE

A. SIZE

B. EFFICIENCY

C. CHANGING ECONOMICS

D. INCOME/EXPENSE FLUCTUATION

E. ADVERSITY

F. CONTINUITY

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STRUCTURE

(RESTRUCTURE)

I. ASSET LIFE VS. LOAN LENGTH

- A. LENGTH LESS THAN LIFE
- B. DON'T PAY FOR DEAD HORSES
- C. DON'T CREATE CASH FLOW STRESS

II. USING UNSECURED EQUITY

- A. LONGER LOAN  LESS CASH STRESS
- B. USE SPARINGLY
- C. SIGNALS A PROBLEM

CAPACITY

I. 3 Cs OF CREDIT

- A. CHARACTER
- B. COLLATERAL
- C. CAPACITY

II. 3 Rs OF CREDIT

- A. RISK-BEARING ABILITY
- B. RETURNS
- C. REPAYMENT CAPACITY